

# Exhibit 242

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Robert Jackson, Commissioner of the SEC

Future of Fintech Conference

June 13, 2019 New York City

<https://www.youtube.com/watch?app=desktop&v=5j9Pu9JQuTQ>

Video Runtime: 18:40

1 (Beginning of Audio Recording.)

2 MR. ARMSTRONG: Morning, everyone, and  
3 I know the schedule got a little bit  
4 rearranged, but here we are.

5 I'm very pleased to be talking with  
6 Commissioner Robert Jackson of the SEC, and  
7 obviously there's a lot to discuss. Robert,  
8 if I can call you Robert, is one of the  
9 crucial figures in the -- in market  
10 regulation, and there's a lot to talk about.

11 I know many members of the audience  
12 will be itching to talk about cryptocurrency,  
13 but I'm going to start with a topic that's a  
14 little closer to -- to my own interests.  
15 You've written a great deal in -- about  
16 securities markets and issues of fairness and  
17 equity. You've talked about low competition  
18 and market makers charging rents, issues like  
19 public versus private feeds and broker  
20 rebates.

21 This is a technology conference. Do  
22 you think technology can help us solve some  
23 of those problems you see in security markets  
24 or is this purely a regulation problem and  
25 needs to be solved by better and clearer

1 regulation?

2 MR. JACKSON: Oh, so I think  
3 technology really is the key to solving these  
4 problems. So first of all, thanks so much  
5 for having me. Thanks so much, Rob, for --  
6 for moderating. I am delighted to have the  
7 chance to talk with this group. I feel like  
8 if you're in this room, you're on the cutting  
9 edge of the questions we're going to be  
10 talking about, and that's why I wanted to be  
11 here.

12 Let me answer your question directly.  
13 I think a lot of the issues that plague our  
14 capital markets today can be solved, will be  
15 solved by technology, and the question isn't  
16 if they will be solved by technology. The  
17 question is when. So let me give a specific  
18 example.

19 When I was -- before I became a  
20 regulator, I was an investment banker. I was  
21 at Bear Stearns back in the day, not my  
22 fault, and I pitched IPOs in 1998, 1999, and  
23 2000. That was my job. I raised money. And  
24 when I did that, we had a fee that we charged  
25 to take companies public, and it was seven

1 percent of the value of the firm. It was not  
2 seven and a half percent, it was not six and  
3 a half percent, it was seven percent on the  
4 nose.

5 And I remember being an investment  
6 banker -- my recollection was that at the  
7 time I didn't have an iPhone, I had a pager  
8 when I would go page (inaudible). I remember  
9 thinking technology's going to solve this  
10 problem. And by the time I become, you know,  
11 more senior in the firm, we're not going to  
12 charge seven percent because people are going  
13 to compete over taking companies public.

14 So I got to the SEC about a year ago,  
15 and I had my economist run a study. I said  
16 I'd like to know what the fees are for taking  
17 companies public in this country, and they  
18 took a look at the data, and it turns out if  
19 you take your company public today and you  
20 raise less than a billion dollars if you're  
21 not Facebook, you pay seven percent.

22 Everything in America has gotten cheaper --  
23 phones, technology has advanced on every  
24 possible front except for going public.

25 That's proof to me that we still have a long

1 way to go in the ways technology can help us  
2 with our capital markets. My -- my --

3 MR. ARMSTRONG: And it was years ago  
4 when Google tried to subvert some of that  
5 process with its own offering and do its own  
6 auction and cut some of the -- the high fee  
7 bankers out.

8 MR. JACKSON: Yep.

9 MR. ARMSTRONG: But it didn't work.

10 MR. JACKSON: That's exactly right.  
11 What Rob is referring to is back in 2004,  
12 Google took a very different approach to  
13 their IPO process, and a lot of people hoped,  
14 myself included, that that might lead to some  
15 change. But I don't need to tell all of you  
16 that the interests in finance that want to  
17 collect those fees are entrenched and  
18 powerful, and that kind of change takes time.

19 But I don't think you -- it's credible  
20 to tell American investors that an IPO should  
21 cost the same amount today and we should use  
22 the same process for going public today that  
23 we did in 1998, and because eventually  
24 technology will provide those solutions, it's  
25 going to be easier for companies to go public

1 and raise capital, and in my view that's the  
2 future of finance.

3 MR. ARMSTRONG: And so how do you  
4 release competition not only among investment  
5 banking firms but among market making firms  
6 that -- that is another deadweight cost, as  
7 it were, that investors have to pay?

8 MR. JACKSON: Yeah. Well, one of the  
9 most astonishing things that I've noticed in  
10 my time at the SEC is the state of our stock  
11 markets. So here's an interesting fact about  
12 American stock markets. There are 13 public  
13 lit what are called public stock exchanges in  
14 the United States, which makes it sound like  
15 there's a lot of competition, right? I mean,  
16 13 competitors. You know, these days in  
17 America, that's a lot of competition.

18 MR. ARMSTRONG: Yeah.

19 MR. JACKSON: Of those 13, 12 of them  
20 are owned by three conglomerates. Now, it is  
21 a very interesting model for a former M&A  
22 banker for you to buy all the competition in  
23 your industry and keep running those  
24 businesses. That's a strange thing. Usually  
25 what you do is consolidate it --

1 MR. ARMSTRONG: Yeah.

2 MR. JACKSON: -- and you shut them  
3 down, economies of scale in scope and such.  
4 But in our stock markets what happened is the  
5 exchanges continue to operate those small --  
6 those smaller lit exchanges, and the reason  
7 is because investors pay fees to access, to  
8 connect, to get data from those exchanges,  
9 and those fees are extremely profitable for  
10 the exchanges.

11 MR. ARMSTRONG: Yes, and they're  
12 duplicative.

13 MR. JACKSON: Exactly.

14 MR. ARMSTRONG: You have to pay for  
15 each one.

16 MR. JACKSON: Exactly. So one of the  
17 -- I -- when I got to my job, I sort of  
18 looked at the state of the stock market and  
19 said, given the technology we have and given  
20 that we are the most -- the deepest, most  
21 liquid capital markets in the world, is this  
22 really the best we can do in terms of the  
23 kinds of competition we want to see on things  
24 like the fees that are charged investors?

25 I'm very proud of the fact that we at



1 the SEC have, for the first time, pushed back  
2 on stock exchanges trying to raise those  
3 fees. I mean, after all, it's called the  
4 Securities and Exchange Commission. We're  
5 supposed to oversee what the exchanges do,  
6 and for years we more or less gave approval  
7 to almost anything they wanted to do.

8 But last year for the first time, we  
9 took off the kid gloves, and we forced them  
10 to show that competition was leading them to  
11 increase prices, not their market power. I'm  
12 very proud of that work, and it's still  
13 ongoing. We're doing a lot to make sure  
14 exchanges have to prove that they're adding  
15 value for investors.

16 MR. ARMSTRONG: Are there other things  
17 you think the SECOND -- or for that mother  
18 matter, other regulators -- can do to improve  
19 the -- to turn up the dial on competition in  
20 markets?

21 MR. JACKSON: Yes, so a couple of  
22 quick things about that. First of all, we  
23 are doing at the SEC an experiment I'm very  
24 proud of. It's called the transaction fee  
25 pilot, and what we're studying is the fees

1 that are paid to certain market participants  
2 for bringing their business to a particular  
3 exchange. And here's what I like about that.  
4 It's a data-driven project. We're not  
5 speculating about whether the fees are good  
6 or bad. We're experimenting to see how they  
7 affect liquidity, and using those data, we  
8 may or may not make the policy changes that  
9 folks have been calling for.

10 I think the answer to your question is  
11 given the technology we have, it's -- the big  
12 data is so powerful, we have a responsibility  
13 as regulators to let the facts drive our  
14 choices. So that's a project that we're  
15 doing. We announced it a few months -- it's  
16 subject to litigation so I can't say too much  
17 more, but I'm very proud of it and I expect  
18 that it's going to move forward soon.

19 MR. ARMSTRONG: I know that you at the  
20 SEC, in cooperation with the Financial  
21 Stability Oversight Council, have been having  
22 a close look at what happened in the markets  
23 in December, and we had a pretty rocky couple  
24 of weeks there in the equity market, and  
25 there are still a lot of questions about

1 whether quant funds, automated trading, all  
2 of that, contributed to the market  
3 turbulence. Have you come to any  
4 conclusions, have any thoughts? Give us an  
5 update on what you found in the kind of anti-  
6 market events part -- part of your job.

7 MR. JACKSON: Sure. So this is a --  
8 this is an area where technology has allowed  
9 us to do things we could never have done  
10 before. So when we study a market event at  
11 the SEC, we have tremendous staff. We're  
12 able to dive into the data and try and figure  
13 out what happened.

14 Like for example, in December when  
15 people were moving toward quality and out of  
16 certain kinds of securities, what market  
17 makers stepped up, which ones didn't, why and  
18 how did their exit affect the rest of the  
19 market?

20 MR. ARMSTRONG: I'm sure it was the  
21 same market makers who always step up. None  
22 of them.

23 MR. JACKSON: Yeah, that's what market  
24 makers do for a living.

25 MR. ARMSTRONG: Yes.

1 MR. JACKSON: Yeah, no. So I think  
2 fundamentally, the answer to your question is  
3 we're able to understand this in a way we  
4 couldn't because we had big data at our  
5 disposal.

6 Now, here's one thing I want to say  
7 about this. You guys remember the flash  
8 crash a few years back. After the flash  
9 crash, we -- the SEC stepped up and said we  
10 need a way to audit on a position by position  
11 basis who did what in these kinds of events  
12 so we can understand what happened, why there  
13 was a flash crash.

14 We announced what was called the  
15 consolidated audit trail several years ago.  
16 It's still not complete. I have to say that  
17 the chairman I work with, Jay Clayton, has  
18 done great work in pushing it forward. We  
19 have to get that stood up because all of you  
20 know that if something happens in the market  
21 and our answer is not, oh, we don't have the  
22 data to study this, you'll all be skeptical  
23 because we have data on everything in the  
24 world right now. And saying you don't have  
25 the data is no longer good enough.

1 Regulators have to be able to have their  
2 hands on exactly what happened.

3 MR. ARMSTRONG: So how close are we on  
4 the consolidated audit trail?

5 MR. JACKSON: So I believe -- my -- my  
6 current sense, we have somebody we've just  
7 brought into the agency who's sort of in the  
8 job of being the cat czar, and I think she's  
9 doing tremendous work. She's been pushing  
10 them forward. I'm hoping that by the end of  
11 the year, we'll have some good news on that  
12 front, and then in 2020 I think we're going  
13 to have a more complete data set we'll be  
14 able to use.

15 MR. ARMSTRONG: Very good. Now, I  
16 don't want to bring up a sensitive topic, but  
17 one of your colleagues a little while ago  
18 described you as a helicopter parent when she  
19 was describing your attitude towards the  
20 question of whether cryptocurrencies should  
21 be regulated as securities, how they should  
22 be regulated. How do you -- as speaking as a  
23 helicopter parent or perhaps a tiger mom, how  
24 do you -- how do you respond to that point  
25 that you've been a bit of a wet blanket in

1 this -- now I'm really piling on the insults.

2 I'm sorry. But how do you respond to that?

3 MR. JACKSON: So first of all, it just  
4 so happens I'm getting married a week from  
5 today.

6 MR. ARMSTRONG: Congratulations.

7 MR. JACKSON: Thanks, man, thank you.  
8 Is it that surprising? I'm getting married a  
9 week from today, so I'm not a parent at all,  
10 unless you know something I don't.

11 MR. ARMSTRONG: Yeah.

12 MR. JACKSON: The comment -- the  
13 comment you're referring to, it's -- it's  
14 really an interesting question, such an  
15 exciting time to be in this room and to be at  
16 the SEC because a lot of new technologies, a  
17 lot of new ways to raise money have come  
18 before us, and the question that's being  
19 asked is what should our view be about, take  
20 for example, an ETF that's going to have as  
21 an underlying asset cryptocurrency. Or how  
22 should I think about an ICO? A

23 And one of the things that's fun about  
24 that is we have to take principles that are  
25 80 years old, 90 years old, and apply them to

1 this brand-new technology. And we often  
2 disagree about exactly how to do that.

3 I do have a colleague who has been  
4 sort of forthright about her view we should  
5 let a thousand flowers bloom, and regulatory  
6 involvement can skew the choices markets make  
7 et cetera.

8 My own view -- that -- that's --  
9 that's true, but in my view, an unhelpful  
10 observation in terms of making decisions  
11 because we fundamentally have to make choices  
12 about what Americans can and should invest  
13 in. And that doesn't make us a merit  
14 regulator. That doesn't make us -- we don't  
15 choose exactly the choices the markets make.  
16 We let the markets do that.

17 But there are basic requirements of  
18 markets that are not yet met in those -- in -  
19 - in some of those spaces. So you need to be  
20 able to have enough liquidity that the market  
21 can't be manipulated with a very small amount  
22 of money. You need to have enough  
23 transparency in the kinds of trading that's  
24 happened -- happening to make sure investors  
25 understand what they're getting.

1           You have to have enough market making  
2   so that you know that people are getting a  
3   fair price when they buy and sell, and that's  
4   why I think we have not -- we've been  
5   forceful about not approving every  
6   application that's come before us.

7           We had one ETF Bitcoin proposal last  
8   year where some folks wanted to have an  
9   exchange-traded fund underlying Bitcoin, and  
10   we denied the application. My colleague  
11   dissented and those -- that was in connection  
12   with some of the remarks you mentioned. But  
13   I didn't think that was a difficult case, and  
14   I'll say why.

15          There was not a tremendous amount of  
16   transparency in the market where -- it was  
17   being traded overseas. There was not a lot  
18   of liquidity in those markets, and I didn't  
19   have the least bit of confidence that someone  
20   trading in that ETF would know that they were  
21   getting the right price for what they -- for  
22   when they bought and sold.

23          When the markets reach that stage, I  
24   fully believe you'll have an SEC that's ready  
25   to move forward with them.



1 MR. ARMSTRONG: So there's nothing in  
2 the nature of a cryptocurrency, the nature of  
3 the asset itself, that gives you pause. It's  
4 the structure of the markets those assets are  
5 traded in rather than features of the asset  
6 itself? Is that fair to say?

7 MR. JACKSON: Well, that's exactly  
8 right. That's very fair, Rob, and let me add  
9 one more about crypto in particular. The  
10 other question we face that is very  
11 challenging is is this a security and to what  
12 degree is it a security under the securities  
13 laws.

14 And I think -- I'll be honest. I  
15 think my colleagues have done a great job  
16 about this. The director of our division of  
17 corporation finance is a man named Bill  
18 Henman who did an -- he gave a speech where  
19 he laid out here's how we think about this  
20 and gave a set of principles that the market  
21 can follow in understanding here's how you  
22 know if you have a security or if you don't.

23 Now, we haven't answered every  
24 particular question, but we've answered a  
25 lot, and I'll say one more thing about this.

1 Early in this market, some lawyers out on the  
2 West Coast, in my view, got out ahead of  
3 their skis. They gave advice that these  
4 things were not securities, and candidly my  
5 reaction as a lawyer and human was reading  
6 that advice, it was aggressive.

7 As a result of that, the regulator has  
8 a job to do, which is to say to the bar you  
9 know the principles here, you know the rules  
10 of the game, and you should apply them  
11 carefully and faithfully to the advice you're  
12 giving. And I think we -- Henman's speech  
13 and -- and the Chairman's work in this has  
14 moved the market forward a great deal.

15 MR. ARMSTRONG: I want to talk about  
16 another application of the underlying block  
17 -- blockchain technology that we haven't  
18 discussed, which is there's a lot of  
19 optimism, and I don't know to the degree  
20 you're concerned about this -- that  
21 distributed ledger technology will make it  
22 possible to both shorten the time and expense  
23 of clearing and settling trades. Are -- are  
24 clearing and settling costs and time, is that  
25 within your ambit as a regulator, and do you

1 think that the new technologies have  
2 potential to bring -- take those costs out of  
3 the market?

4 MR. JACKSON: Yes and yes. So I think  
5 -- you know, one funny thing about blockchain  
6 and -- and the technology underlying virtual  
7 currency, for example, is as an -- as an  
8 admirer of technology, I think it's  
9 extraordinary, and the potential is  
10 incredible. I mean, you mentioned settlement  
11 and clearing. For sure, that will be in our  
12 ambit, but let's talk about other -- I mean,  
13 think about its applications for audit, for  
14 tracking and dealing with voting, for smart  
15 contracting.

16 I mean, when you think about the power  
17 of this technology, about having objective  
18 verification of steps and trends, it's  
19 enormously powerful. And I have to be honest  
20 with you, speaking just as a -- as an  
21 observer of technology, it wasn't obvious to  
22 me the best application of this technology  
23 would be money. I mean, I'm cool with that,  
24 but it wasn't obvious to me that that would  
25 be the most powerful application. I would --

1 I would think these other applications would  
2 be powerful.

3 I think that what we're going to see  
4 in the next three to five years is people  
5 taking that technology and moving it to  
6 places where it can be even more powerful,  
7 like settlement and clearing, for example,  
8 where the days' long process it sometimes  
9 takes to clear a transaction can be shortened  
10 to not just hours, seconds.

11 MR. ARMSTRONG: Yeah.

12 MR. JACKSON: And that will make our  
13 financial markets much more liquid, and I  
14 think it'll add a lot of value for investors.

15 MR. ARMSTRONG: Very good. CEOs of  
16 publicly traded companies (inaudible) are  
17 communicating in different ways, and there  
18 was a now famous back-and-forth last year  
19 between Elon Musk and his conversation on  
20 Twitter and so forth.

21 Now you weren't happy with the  
22 settlement -- publicly unhappy with the  
23 settlement. Can you lay -- that -- that was  
24 reached with Mr. Musk. Can you lay out some  
25 principles for us or guardrails that you

1 think are appropriate for CEOs who are now  
2 communicating on social media? And they  
3 don't show any signs of stopping either.

4 MR. JACKSON: Right.

5 MR. ARMSTRONG: So we're going to have  
6 to think about this some more. I

7 MR. JACKSON: It's a great, great  
8 question, Rob. I mean, so about, you know,  
9 the particular -- I can't say much about  
10 particular matters. I will say that what's  
11 important to me is that the legal principles  
12 we've always had in the securities markets  
13 apply to all the sort of innovative things  
14 that are happening, including CEO  
15 communications by social media.

16 And candidly, I think it might be time  
17 for some guidance there.

18 MR. ARMSTRONG: Yes.

19 MR. JACKSON: It might be time for the  
20 SEC -- I'm -- you know, without prejudging  
21 any particular matter, might be time for us  
22 to come forward and say here are some  
23 principles of this game.

24 Now, in the meantime, let me say we  
25 have some. The principles that have always

1 governed public communications about material  
2 information related to the firm apply to  
3 Twitter and -- and social media  
4 communications, as well, and I think we've  
5 made that clear in that and other cases.

6 Your question, which is very fair, is  
7 okay, but Twitter is a little different.  
8 It's immediate, it's informal, it can be  
9 responsive. There can be retweets, there can  
10 be a conversation in ways that are not  
11 contemplated by every single rule that the  
12 SEC has put out. And that's why I think you  
13 might be right that it might be time for us  
14 to step up and set some clearer rules of the  
15 game for when a CEO gets on Twitter.

16 MR. ARMSTRONG: Yes.

17 MR. JACKSON: Because what I hear from  
18 the marketplace is investors want to hear  
19 from their -- from CEOs and of course they  
20 should.

21 MR. ARMSTRONG: Yes.

22 MR. JACKSON: CEOs want to share what  
23 they can within the bounds of the law, and of  
24 course they should. The question is how can  
25 we do that in a way that protects investors

1 and I think you might be right, it's time to  
2 say more about that.

3 MR. ARMSTRONG: You have been a strong  
4 voice on a lot of these issues, and those of  
5 us who cover the markets have appreciated  
6 that. Your term has expired technically; am  
7 I right about that? Can you tell me anything  
8 about your plans? I know you've been a  
9 little tight-lipped about it, but I'm curious  
10 to hear, what's -- are you -- are you going  
11 to hang around at the SEC? Are you on to new  
12 things?

13 MR. JACKSON: I'm just getting  
14 married, man. I mean, get me past that, and  
15 I'll be a happy guy.

16 MR. ARMSTRONG: Okay, no, that's --  
17 that's absolutely -- absolutely fair enough.  
18 Well, on that extremely happy note, please  
19 join me in thanking Commissioner Robert  
20 Jackson for speaking.

21 MR. JACKSON: Thanks so much, folks.  
22 Enjoy the conference. Thank you. Oh thanks,  
23 Rob. That was very -- thank you.

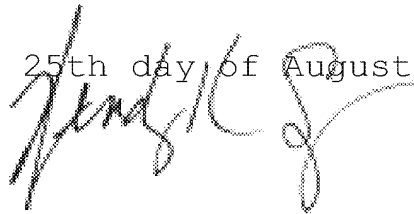
24 (End of Audio Recording.)

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## CERTIFICATE

I, Wendy Sawyer, do hereby certify that I was authorized to and transcribed the foregoing recorded proceedings and that the transcript is a true record, to the best of my ability.

DATED this 25th day of August, 2021.



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WENDY SAWYER, CDLT